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February 5, 2015

New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Attn: Mr. David Catanach, Director

Re: Comments Pertaining to the Proposed Amendment of Certain Provisions of Title 19, Chapter 15, Part 26 of the NMAC Concerning Persons Engaged in Secondary or the Enhanced Recovery of Oil Or Gas, Pressure Maintenance, Salt Water Disposal, Acid Gas Disposal, and Underground Storage of Oil or Gas.

Dear Mr. Catanach,

My name is Ben Stone and I'm a principal partner of SOS Consulting, LLC located in Como, Texas. SOS Consulting assists its clients with various oil and gas regulatory filings and related services. Most of our work is done in New Mexico and Texas. SOS Consulting submits dozens of applications each year to OCD offices for processing and approval. I strive to submit complete and high-quality applications and the work occupies a great deal of time and represents a substantial portion of my livelihood.

I would like to congratulate the Oil Conservation Division staff's efforts in the ongoing efforts to keep its rules and regulations current and appropriate with regard to technical and realistic oversight of the oil and gas industry operations in the state.

With regards to the referenced portion of the rules concerning underground injection, I applaud the OCD in clarification of some portions and the implementation of new and needed guidance for oversight of acid gas injection wells. I have studied the proposed language of the subject rule in its entirety and am in full support of most of the content and intent of that language.

However, I do have some comments on a few portions of the proposed rule, its language or its intent.

The first item I'd like to address specifically and earnestly is the clause identified as 19.15.26.8 – Injection of Fluids into Reservoirs, Subsection (B), Paragraph (1), Item (c) which states:

"A summary table and current completion schematic for all wells within the area of review that penetrate the confining zone;"...

The requirement for a tabulation of all wells penetrating a proposed injection zone is obvious and prudent. Since New Mexico received primacy for implementation of the Underground Injection Control Program in 1982, the OCD has always required this so that a full analysis of the area of review (AOR) can be conducted and potential conduits of possible contaminating fluid migration can be prevented.

But, the addition of a “*current completion schematic*” should not be required except as might be necessary in isolated cases. If an AOR well identified during a review of detailed tabular data has possible issues or questions, this might be cause for further scrutiny by a wellbore schematic.

The reason I perceive this as a concern is purely from the point of view of the amount of effort that must be made by an applicant to comply with this as a matter of routine rather than exception. Most of my clients are small, independent operators although I have performed some consulting work for larger companies. The small operator already has a proportionally high expense to operate including the necessity to comply with various regulatory entities. The larger independent and major operators will spend less for compliance and this particular proposed application requirement affords a perfect example.

Let me explain my reasoning. A large operator will very likely possess and utilize a database system containing all of a project area’s pertinent and detailed well data – this may be for a lease, a township or even a county or region of the state. What data they may not have, they can easily obtain from a state database download or from any of several subscription services such as IHS or RigData. With these data, they can obviously perform any number and types of analysis and reporting including, the quick and almost automatic generation of wellbore schematics. With a few “mouse-clicks”, a large operator can generate schematics for six wells or six dozen wells of interest in a matter of minutes.

The small operator generally does not have this capability. SOS Consulting is well equipped with computer equipment, software and data and well versed in the use and application of information technology (IT) systems but still, SOS Consulting does not have this specific capability. It is simply cost prohibitive for a company of our size to obtain this type of highly specialized software. For small businesses, wellbore schematics and other diagrams are largely a manual effort and are custom created one at a time. The diagrams are quite literally drawn, albeit in some type of software – that may be Microsoft Excel, Word, Visio or any number of other graphic-enabled programs. It can easily take one-half hour or more (sometimes much more) to manually draw a schematic.

If for example, an AOR contained 40 wells (as many do), the impact to most large operators would be negligible. To the small operator, it could double or triple the cost of a single application. In some cases, this impact could cause some small operators to possibly delay projects or, not make application at all.

I don’t believe that OCD’s purpose is to create this type of unintended burden to the small operators in New Mexico. With oil prices such as they are currently, the problem is only exacerbated.

If OCD’s intent is to foster the submission of complete and workable applications, I would offer a possible rephrasing of the clause to something like:

“A summary table of current completion data for all wells within the area of review that penetrate the confining zone;”...

In my experience, this is what is frequently lacking in an AOR review. Some applicants will submit a table with the AOR wells listed but fail to include the construction data detail that is required. An OCD

reviewer could and should, request any additional detail or documentation as needed for clarification, further investigation or analysis of any component of an application. That request might certainly include wellbore schematics of individual AOR wells but, probably not all of them if the appropriate details have already been specified in tabular format.

In a separate matter of concern, Subsection (C), Paragraph (4) provides that:

"The applicant shall or shall cause to be filed with the division an affidavit certifying that the foregoing notices have been completed and a copy of the notices. The affidavit of notice shall be certified by the applicant's attorney or landman".

I am not an attorney or a landman but believe I am fully qualified to certify that notice has been made particularly when I'm the one causing the notice action to be performed. I may hire a landman to perform due diligence research but always send notification out of my office. I think this might be the case for most small operators and consulting firms also. I don't have a recommendation for what additional term or title should be added to be more inclusive.

In continuing my comments, there is another item in the language of the proposed amendment that might be reviewed for consistency.

Subsection (D) - Administrative Approval; Paragraph (2) states that:

"If the division does not receive an objection within the 30-day period, and a hearing is not otherwise required, the division may approve the application administratively".

However, in comparing the new language contained in 19.15.26.9 - Special Rules for Acid Gas Disposal Wells; Subsection (G) - Application Approval; Paragraph (1), it states that:

"Administrative approval. If the division does not receive an objection, or request for hearing, or the division director does not otherwise cause the matter to be set for hearing, after 30 days from the date of publication of the notice, the division, through the Santa Fe office, shall grant, grant with conditions or deny the application administratively".

I would ask that the division review the differing language and the intent. It lessens the clarity and seems to imply that there could be other considerations not explicitly defined by the rules that could prevent administrative approval for standard C-108s yet, the more heavily scrutinized acid gas disposal well application permits either will or will not be issued subject to the rules as stated.

Finally, I appreciate the new and unambiguous 30-day period for accepting objections to these types of applications. Applicants must be able to rely on support and enforcement of this suspense period. To leave the objection period open-ended can only lead to confusion and ultimately be perceived as a penalty to applicants who in the final analysis, are the individuals and companies making capital investments in the state and helping to grow the economy in New Mexico.

In summary:

- 1) Please review the proposal to require wellbore schematics for all AOR wells, for every application.
- 2) Please consider who can be qualified to submit affidavits to certify that complete notice to all interested parties was made.
- 3) Please clarify the language concerning administrative approval so applicants may fully understand at what point, approval or denial will or will not come.
- 4) Please align OCD's acceptance of objections to administrative applications with the applicable 30-day suspense (objection cutoff) dates as defined in the rules.

SOS Consulting, LLC on behalf of its clients and all small operators doing business in New Mexico, would implore the OCD, its staff and attorneys, to review the clauses cited in this review and consider the real impact of the sometimes simple-sounding requirements. Thousands of people in the state rely on the stability and soundness of small oil and gas operators. Regulatory agencies must always evaluate the promulgation of rules and regulations through a prism of what's truly needed and not what might be expedient or convenient, particularly when its actions can create an undue burden.

I appreciate the Oil Conservation Division's consideration of my comments regarding this important issue. I thank you for your time and effort.

Best regards,

A handwritten signature in black ink, appearing to read "Ben Stone", written in a cursive style.

Ben Stone, Partner
SOS Consulting, LLC